

Message Text

CONFIDENTIAL

PAGE 01 ADDIS 03304 01 OF 03 180954Z

11

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 063325

R 180621Z MAR 76

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 8576

C O N F I D E N T I A L SECTION 1 OF 3 ADDIS ABABA 3304

EXDIS

S/S PLEASE CONSULT AF BUREAU REGARDING DISTRIBUTION

E.O. 11652: GDS

TAGS: ECON EAID EFIN MASS MPOL ET US

SUBJECT: UPDATE OF PROJECTED EPMG MILITARY PROCUREMENT AND
ITS ECONOMIC IMPACT

REFS: A) 75 ADDIS 9659, B) 75 ADDIS 9724

1. SUMMARY.

A. EMBASSY AND USMAAG HAVE RECENTLY COMPLETED AN UPDATE OF OUR UNDERSTANDING OF EPMG INTENTIONS REGARDING PROCUREMENT OF MILITARY GOODS AND SERVICES. FOR THE PERIOD FY 76-FY-80 THE EMPG APPARENTLY PLANS TO SPEND APPROXIMATELY US\$395 MILLION (CASH AND CREDIT - OUTLAYS BASIS); THIS IS ROUGHLY US\$40 MILLION MORE FOR THE OVERLAP PERIOD FY 76-FY 79 THAN OUR PREVIOUS (JULY 1975) ESTIMATE. THE INCREASE IS A RESULT OF ADDITIONAL PROCUREMENT OF VEHICLES, AMMUNITION, COMMUNICATIONS EQUIPMENT, MISSILES, RADARS AND AIRCRAFT. THE PROJECTED DECLINE IN CAPITAL INVESTMENT FOR 1979 ONWARD REFLECTS A LACK OF INFORMATION REGARDING EPMG INTENTIONS IN THIS AREA. AS IS TO BE EXPECTED O&M COSTS BECOME AN INCREASINGLY HEAVY BURDEN IN THE OUT YEARS.

B. OWING TO ETHIOPIA'S STRONG FOREIGN EXCHANGE RESERVE POSITION AND A REASONABLY GOOD BALANCE OF PAYMENTS OUTLOOK THE EMBASSY BELIEVES THAT THE EPMG CAN SUPPORT THE PROJECTED LEVEL OF MILITARY PROCUREMENT FOR THE NEXT YEAR OR TWO WITHOUT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ADDIS 03304 01 OF 03 180954Z

UNDUE PRESSURE ON ITS EXTERNAL POSITION. BEYOND FY 77,

HOWEVER, FOREIGN EXCHANGE CONSTRAINTS MAY WELL EMERGE. FROM THE STANDPOINT OF THE DOMESTIC ECONOMY, ETHIOPIA IS ALREADY EXPERIENCING A RATHER HIGH RATE OF INFLATION (RETAIL PRICES WENT UP BY 16 PERCENT DURING CY 1975) BUT THIS DEVELOPMENT IS UNRELATED TO MILITARY PROCUREMENT EXPENDITURES. OVER THE LONG RUN, HOWEVER, IF FOREIGN EXCHANGE IS USED FOR MILITARY PROCUREMENT RATHER THAN FOR INVESTMENT AND CONSUMER GOODS IMPORTS, ADVERSE EFFECTS ON THE DOMESTIC ECONOMY WILL RESULT AND INTERNAL DEBT COULD REACH DANGEROUSLY HIGH LEVELS. END SUMMARY.

2. EMBASSY AND USMAAG HAVE UPDATED THEIR ASSESSMENT OF THE EPMG'S APPARENT INTENTIONS REGARDING PURCHASE OF MILITARY GOODS AND SERVICES FROM THE US AS WELL AS FROM OTHER SOURCES. AS IN OUR PREVIOUS ASSESSMENTS WE HAVE MADE ESTIMATES OF PROJECTED OUTLAYS (IN 1976 DOLLARS) THE ETHIOPIANS WILL HAVE TO MAKE OVER THE NEXT FIVE YEARS FOR THE ITEMS THEY WISH TO PROCURE INCLUDING CAPITAL, O&M, SPARE PARTS AND INTEREST COSTS. THIS TABLE IS FOR PLANNING PURPOSES ONLY AS IT IS BASED ON A NUMBER OF ASSUMPTIONS CONCERNING PROCUREMENT, DELIVERY DATES, FMS CREDIT AVAILABILITIES (US\$10 MILLION PER YEAR) AND O&M SUPPLY COST LEVELS (US OPERATIONS AND TRAINING STANDARDS USED ONLY O&M MAY BE OVERSTATED) WHICH OF COURSE ARE SUBJECT OF CHANGE. THE PROCUREMENT ACTIONS WHICH MAKE UP TABLE A SHOULD NOT BE CONSTRUED AS CONSTITUTING A COHERENT PROGRAM OR AS BEING BASED ON CAREFUL, COORDINATED PLANNING WITHIN THE EPMG AT EITHER THE DIRG OR THE MINISTRY OF DEFENSE LEVELS. IN FACT, ONE OF THE BASIC REASONS FOR UNDERTAKING THIS ASSESSMENT IS THE ABSENCE OF ANY KNOWN COMPARABLE EFFORT BY THE EPMG.

3. IN THE FOLLOWING TABLE OUR LAST FIVE-YEAR ESTIMATE (1975-1979) IS COMPARED WITH OUR CURRENT ESTIMATE (1976-1980) WHICH IS ALSO BROKEN DOWN BY CAPITAL INVESTMENT AND O&M OUTLAYS.

TABLE A
MILITARY PROCUREMENT - CASH OUTLAY
US\$ MILLIONS

	FY75	FY76	FY77	FY78	FY79	FY80	TOTAL
PREVIOUS EST.							
(JUL 75)	15.4	78.9	65.3	84.6	48.8	----	293.0
CURRENT EST. (ACTUAL)							(1976-80)

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ADDIS 03304 01 OF 03 180954Z

(FEB 76)	20.6	50.2	89.5	112.6	67.8	74.1	394.2
CAPITAL INV.	18.4	46.0	75.5	87.5	33.0	25.0	267.0
O&M	2.2	4.2	14.0	25.1	34.8	49.1	127.2

THE INCREASE IN OUTLAYS FOR THE FOUR-YEAR OVERLAP PERIOD (1976-1979) AMOUNTS TO US\$42.5 MILLION. THE REDUCTION IN ESTIMATED 1976 OUTLAYS IS A RESULT OF THE EPMG'S DECISION TO ELIMINATE THE PROPOSED PROCUREMENT OF THREE ASHVILLE CLASS

PGS; THE INCREASES IN 1977-1979 OUTLAYS ARE BASED ON ADDITIONAL PROCUREMENT OF VEHICLES, AMMUNITION, PATROL BOATS AND MISSILES (FMS AND COMMERCIAL CASES ALREADY OFFERED AND/OR ACCEPTED) AND EXPECTED PROCUREMENT OF TOWS, COMMUNICATIONS EQUIPMENT, RADARS (FOR BOTH NAVY AND AIR FORCE), RF-5E (1) AND A-37B (12 EACH). AS THE TABLE DEMONSTRATES THIS PROJECTED LEVEL OF CAPITAL INVESTMENT RESULTS IN AN INCREASINGLY HEAVY O&M BURDEN IN THE OUTYEARS ALMOST ALL OF WHICH INVOLVES FX EXPENDITURE EITHER DIRECTLY OR INDIRECTLY, AS ETHIOPIA'S INDUSTRY CANNOT PRODUCE THE REQUIRED SPARES. IT ALSO SHOULD BE NOTED THAT THE FALL-OFF IN CAPITAL INVESTMENT FROM 1979 ONWARD REFLECTS MORE A LACK OF INFORMATION ABOUT EPMG PROCUREMENT INTENTIONS THAN AN EPMG DECISION TO REDUCE END ITEM PROCUREMENT. WHILE CAPITAL INVESTMENT REQUIREMENTS MAY IN FACT HAVE BEEN MET BY 1979 IT IS ALSO POSSIBLE THAT THE EPMG WILL DECIDE ON ADDITIONAL END ITEM PROCUREMENT AT THIS TIME.

4. ECONOMIC IMPLICATIONS. ETHIOPIA CONTINUES TO MAINTAIN ITS STRONG FOREIGN EXCHANGE POSITION WITH NET FOREIGN EXCHANGE RESERVES AT APPROXIMATELY US\$300 MILLION AS OF DEC 31, 1975 OR ABOUT THE SAME AS THE YEAR BEFORE. DURING THIS PERIOD (CY 1975) THE EPMG SPENT APPROXIMATELY US\$35 MILLION (OUTLAY BASIS) FOR MILITARY GOODS AND SERVICES. IT DID NOT, HOWEVER, PAY ANY COMPENSATION TO FORMER OWNERS OF NATIONALIZED BUSINESSES AND SPENT LITTLE OF ITS OWN FX FOR INVESTMENT PURPOSES. MOREOVER, THE FX COST OF DEVELOPMENT ACTIVITIES WAS MOSTLY FINANCED BY CONCESSIONARY LOANS EXTENDED BY DONORS. WHILE CONSUMER IMPORTS WERE UP IN VALUE TERMS, DOMESTIC DEMAND WAS NOT SATISFIED WHICH CONTRIBUTED TO A STEEP INCREASE IN RETAIL PRICES (16 PERCENT) DURING THE YEAR. MOREOVER, THE EMBASSY HAS LEARNED THAT THE EPMG SOLD US\$25 TO US\$30 MILLION IN GOLD DURING AUG/SEPT WHICH, AT LEAST SO FAR, HAS NOT BEEN REPORTED

CONFIDENTIAL

PAGE 04 ADDIS 03304 01 OF 03 180954Z

PUBLICLY AND IS REGARDED AS A SECRET TRANSACTION BY THE EPMG. AS THIS TIME GOLD WAS HELD BY THE MINISTRY OF FINANCE AND THE PROCEEDS FROM THE SALE WERE

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ADDIS 03304 02 OF 03 181049Z

11

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

----- 064325

R 180621Z MAR 76

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 8577

C O N F I D E N T I A L SECTION 2 OF 3 ADDIS ABABA 3304

EXDIS

S/S PLEASE CONSULT AF BUREAU REGARDING DISTRIBUTION

E.O. 11652: GDS

TAGS: ECON EAID EFIN MASS MPOL ET US

SUBJECT: UPDATE OF PROJECTED EPMG MILITARY PROCUREMENT AND
ITS ECONOMIC IMPACT

PROBABLY EARMARKED FOR MILITARY PROCUREMENT, THE MINISTRIES
OF FINANCE AND DEFENSE WERE RELIEVED OF THE NEED TO FIND THE
ETHIOPIAN DOLLARS TO BUY THE FX FROM THE NATIONAL BANK.
FURTHER TRANSACTIONS OF THIS NATURE CAN BE EXPECTED IN THE
FUTURE, ALTHOUGH AS YET THE MEBASSY HAS BEEN UNABLE TO DE-
TERMINE THE CURRENT UNREPORTED GOLD HOLDINGS OF THE MINISTRY
OF FINANCE.

5. OWING TO THE HIGH LEVEL OF FX RESERVES, UNKNOWN BUT
PROBABLY SIGNIFICANT UNREPORTED GOLD HOLDINGS, THE CONSIDERABLE
CONCESSIONARY FINANCE AVAILABLE FOR DEVELOPMENT PROGRAMS, HIGH
PRICES OF COFFEE AND THE SLOW PROGRESS ON COMPENSATION, THE
EMBASSY BELIEVES THAT THE PROJECTED LEVEL OF MILITARY PROCUREMENT
CAN BE MANAGED FOR THE NEXT ONE OR TWO YEARS AS FAR AS ITS FX
IMPACT IS CONCERNED WITHOUT SUBSTANTIALLY AFFECTING ETHIOPIA'S
ABILITY TO CARRY OUT A MAJOR ECONOMIC DEVELOPMENT EFFORT.
PERHAPS THE MOST IMPORTANT FACTOR INFLUENCING THE BALANCE
OF PAYMENTS WILL BE DEMAND FOR IMPORTED CONSUMER GOODS WHICH
ARISES FROM THE GOVERNMENT'S DEVELOPMENT AND FISCAL POLICIES.
THIS DEMAND IS GROWING AND COULD USE UP SIGNIFICANT QUANTITIES
OF FOREIGN EXCHANGE. THE GOVERNMENT CAN, OF COURSE, CONTROL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ADDIS 03304 02 OF 03 181049Z

THIS BY APPLYING IMPORT CONTROLS AND TAKING POLICY MEASURES TO
REDUCE DEMAND FOR CONSUMER GOODS. BUT AN APPROPRIATE MIX OF
POLICIES WILL NOT BE EASY TO ARRIVE AT AND ENFORCE. THIS PROBLEM
BEARS CLOSE MONITORING. THE INCREASING REQUIREMENTS FOR O&M
EXPENDITURE AND ANY ADDITIONAL CAPITAL INVESTMENT FROM FY
1979 ONWARDS COULD ALSO PUT SEVERE PRESSURE ON ETHIOPIA'S

BALANCE OF PAYMENTS AND ITS FOREIGN EXCHANGE POSITION DURING THE LATTER PART OF THIS PERIOD.

6. THE IMPACT OF THE EPMG'S PROPOSED MILITARY PROCUREMENT ON ETHIOPIA'S INTERNAL POSITION IS POTENTIALLY MORE SERIOUS THAN ON ITS FX POSITION, ALTHOUGH THE TWO ARE CLOSELY RELATED. IN 75 ADDIS 13370 WE REPORTED THE SHARP INCREASE (ETH\$146 MILLION) IN DEFICIT FINANCE DURING FY 1975 AND THE BUDGETED INCREASE FOR FY 1976 OF ETH\$156 MILLION WHICH DOES NOT INCLUDE THE LOCAL CURRENCY COSTS OF THE EPMG'S PROJECTED FY 1976 OUTLAYS FOR MILITARY PROCUREMENT OF ETH\$105 MILLION. IF THE MINISTRY OF FINANCE SELLS ADDITIONAL GOLD AND USES THE PROCEEDS FOR MILITARY PROCUREMENT, NO LOCAL CURRENCY EFFECTS WILL RESULT. BUT IF THE FX USED FOR MILITARY PROCUREMENT COMES FROM REGULAR EXPORT EARNINGS AND THE EPMG DOES NOT INCREASE TAXES OR TAKE OTHER MEASURES TO INCREASE SAVINGS TO COVER THE LOCAL CURRENCY COSTS OF THESE PURCHASES THEN INFLATIONARY FORCES WILL RESULT AS THE ETHIOPOAN DOLLARS WHICH WERE ORIGINALLY CREATED BY THE FX EARNINGS WILL NOT BE EXTINGUISHED WHEN THE FX IS SPEND FOR MILITARY PROCUREMENT. THE DEFICIT FINANCE PROGRAM AS WELL AS OTHER FACTORS SUCH AS A SHIFT IN PURCHASING POWER FROM (RELATIVELY SPEAKING) SAVERS TO NON-SAVERS, A GENERAL SHIFT IN CONSUMER PREFERENCE FROM SAVINGS TO CONSUMPTION, AND INSUFFICIENT INCREASES IN IMPORTS AND DOMESTIC PRODUCTION TO COVER INCREASED DEMAND HAVE ALREADY PLACED HEAVY PRESSURE ON RETAIL PRICES WHICH, AS PREVIOUSLY NOTED, INCREASED BY 16 PERCENT DURING

CY 1975. IF THIS TREND CONTINUES THE GOVERNMENT WILL PROBABLY BE FORCED TO RESORT TO SOME OR ALL OF THE FOLLOWING MEASURES IN THE NEAR FUTURE: INCREASE IMPORTS, MORE RIGOROUS PRICE CONTROLS, INCREASE SAVINGS (INCLUDING TAXES), REDUCE ITS DEFICIT FINANCE PROGRAM, AND PRESUMABLY REDUCE ITS DEFENSE AND/OR ITS DEVELOPMENT EXPENDITURES. THE LIMITED ADMINISTRATIVE CAPACITY OF THE CIVIL SERVICE (TO ENFORCE PRICE CONTROLS) AND THE LACK OF CONFIDENCE OF THE PRIVATE SECTOR

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ADDIS 03304 02 OF 03 181049Z

(WHICH STILL PLAYS A MAJOR ROLE IN THE IMPORT SECTOR) PLACE REAL CONSTRAINTS ON THE EFFECTIVENESS OF SOME OF THESE COURSES TO ACTION. MOREOVER, THE MILITARY WILL PROBABLY NOT REDUCE ITS DEMANDS FOR INCREASED PROCUREMRNT UNTIL IT IS SATISFIED THAT IT HAS THE WHEREWITHAL IT NEEDS TO MEET ITS RESPONSIBILITIES; IT WILL ALMOST CERTAINLY BE SUPPORTED IN THIS RESPECT BY THE DIRG. IN VIEW OF THE FOREGOING IT SEEMS ALMOST INEVITABLE THAT ETHIOPIA WILL EXPERIENCE VERY HIGH RATES OF INFLATION (15-20 PERCENT) OVER THE NEXT FEW YEARS. IT SHOULD BE NOTED, HOWEVER, THAT LITTLE OF THIS INFLATION CAN BE ATTRIBUTED TO THE CURRENT LEVEL OF MILITARY PROCUREMENT. RATHER, THE DEVELOPMENT PROGRAM, THE GOVERNMENT'S POLICIES OF INCREASING PRICES FOR FARMERS AND INCLREASING PUBLIC WORKS PROGRAMS, AND THE GOVERNMENT'S IN-

ABILITY TO ENCOURAGE THE PRIVATE SECTOR TO INCREASE IMPORTS (TO MEET LOCAL DEMAND) HAVE BEEN THE MAJOR CONTRIBUTORS TO THE INCREASED RATE OF INFLATION DURING 1975. IT IS OVER THE LARGER RUN THAT THE EFFECTS OF MILITARY PROCUREMENT WILL BE FELT AS USE OF FOREIGN EXCHANGE FOR THIS PURPOSE WILL COMPETE WITH US FOR INVESTMENT AND CONSUMPTION PURPOSES.

7. IN THE FOLLOWING TABLES EPMG TOTAL SELF-FINANCED EXPENDITURES, CAPITAL (DEVELOPMENT) EXPENDITURES, DEFENSE EXPENDITURES, GNP, REVENUES AND DEFICIT FINANCE REQUIREMENTS ARE PROJECTED (CONSTANT 1976 DOLLARS) OVER THE NEXT FIVE YEARS. DEFENSE EXPENDITURES DROP OFF MAINLY BECAUSE EPMG PROCUREMENT INTENTIONS (AS NOTED ABOVE) ARE NOT KNOWN BEYOND FY 1978.

TABLE B
(US\$ IN MILLIONS)

	TOTAL EXP.	CAPITAL (DEVELOPMENT) EXPENDITURES	DEFENSE EXPENDITURES OF TOTAL	CAPITAL EXP. AS PER CENT PERCENT O	DEFENSE EXP. AS PERCENT O
F			TOTAL		
FY76	538	70.4	134.9	13	25
FY77	628.9	84.5	178.4	13	28
FY78	709.9	101.4	206.0	14	29
FY79	730.3	121.7	165.8	18	23
FY80	810.1	146.0	177.0	18	22

TABLE C

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ADDIS 03304 02 OF 03 181049Z

(US\$ IN MILLIONS)

	GNP(1)	DEFENSE EXPENDITURE AS A PERCENT OF GNP	DEFENSE EXPENDITURE AS A PERCENT OF GNP
FY76	3184	134.9	4.2
FY77	3311	178.4	5.4
FY78	3444	206.0	6.0
FY79	3582	165.8	4.6
FY80	3725	177.0	4.8

(1) FOUR PERCENT REAL GROWTH RATE.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ADDIS 03304 03 OF 03 181058Z

20

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
 ----- 064486

R 180621Z MAR 76
 FM AMEMBASSY ADDIS ABABA
 TO SECSTATE WASHDC 8578

C O N F I D E N T I A L SECTION 3 OF 3 ADDIS ABABA 3304

EXDIS

S/S PLEASE CONSULT AF BUREAU REGARDING DISTRIBUTION

E.O. 11652: GDS

TAGS: ECON EAID EFIN MASS MPOL ET US

SUBJECT: UPDATE OF PROJECTED EPMG MILITARY PROCUREMENT AND
 ITS ECONOMIC IMPACT

TABLE D
 (US\$ IN MILLIONS)

	TOTAL	TOTAL	DEFICIT	TOTAL	ANNUAL(
1)					
	EXPENDITURE	REVENUE	FINANCE REQUIRED	CUMULATIVE	INTEREST
			DEBT	ON DEBT	
FY76	538	408.5	129.5	277.1	13.9
FY77	628.9	457.5	171.4	488.5	24.4
FY78	709.9	512.4	197.5	646.0	32.3
FY79	730.3	573.9	156.4	802.4	40.1
FY80	810.1	642.8	167.3	969.7	48.5

(1) FIVE PERCENT INTEREST RATE.

BASED ON THESE PROJECTIONS THE TRENDS FOR 1976-78 ARE NOT ENCOURAGING. DEFENSE EXPENDITURE MOVES UP SHARPLY AS A PROPORTION OF TOTAL SELF-FINANCED EXPENDITURE AND GNP. MOREOVER, THERE IS A BUILT-IN COMPONENT OF INCREASING EXPENDITURE FOR O&M WHICH CONTINUES EVEN IF NO FURTHER CAPITAL INVESTMENT OCCURS AFTER FY 1978. FOR EXAMPLE, DEFENSE EXPENDITURE AS A PROPORTION OF GNP INCREASES TO 5.1 PERCENT BY FY 1982. ANOTHER
 CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ADDIS 03304 03 OF 03 181058Z

DISQUIETING TREND IS THE MASSIVE INCREASE IN INTERNAL DEFICIT FINANCE WHICH LEADS TO A CUMULATIVE OUTSTANDING DEPT OF OVER US\$1,000 MILLION IN FY 1982. DEBT SERVICE IN FY 1982 AMOUNTS TO US\$67.5 MILLION OR 6.7 PERCENT OF TOTAL SELF-FINANCED EXPENDITURES. OBVIOUSLY THESE PROJECTIONS ARE VERY ROUGH FOR

THE OUTYEARS AND CAN ONLY BE TAKEN AS BROAD INDICATIONS OF FUTURE TRENDS. EVEN SO THEY SHOULD NOT BE DISMISSED AS UN-IMPORTANT.

8. CONCLUSIONS. EMBASSY CONCLUSIONS FROM THE FOREGOING ASSESSMENT ARE: (A) EPMG MILITARY PROCUREMENT AT THE PROJECTED LEVELS ARE MANAGEABLE IN BOTH FX AND LOCAL CURRENCY TERMS FOR THE NEXT ONE OR TWO YEARS, ESPECIALLY IF ADDITIONAL DRAWDOWNS ON UNREPORTED GOLD HOLDINGS ARE USED TO FINANCE SOME SIGNIFICANT PORTION OF THIS PROCUREMENT. DEFENSE SPENDING WILL NOT HAVE TO BE AT THE EXPENSE OF ETHIOPIA'S DEVELOPMENT PROGRAM. (B) THE INFLATION EXPERIENCED DURING CY 1975 WAS UNRELATED TO MILITARY PROCUREMENT AND DEFENSE SPENDING IN CY 1976 SHOULD NOT MAKE A MAJOR CONTRIBUTION TO INFLATIONARY PRESSURES. (C) OVER THE LONG RUN (THREE TO SIX YEARS) ETHIOPIA WILL EXPERIENCE INCREASING DIFFICULTIES IN MAINTAINING BOTH ITS LIKELY DESIRED LEVEL OF MILITARY PROCUREMENT AND THE PACE OF ITS DEVELOPMENT PROGRAM. BOTH FOREIGN EXCHANGE AND LOCAL CURRENCY BOTTLENECKS WILL ALMOST CERTAINLY EMERGE. MANAGEMENT OF INFLATIONARY PRESSURES WILL BECOME INCREASINGLY DIFFICULT WHILE RIGOROUS CONTROLS ON IMPORTS AND PRICES WILL BE HARD TO AVOID (INDEED THESE CONTROLS COULD WELL BE IMPOSED IN ONE TO TWO YEARS). REDUCTION IS NEITHER MILITARY OR DEVELOPMENT EXPENDITURE WILL PROBABLY BECOME NECESSARY. INTERNAL DEBT WILL ALSO REACH DANGEROUS LEVELS AND POSE INCREASING FINANCING BURDENS ON THE GOVERNMENT HUMMEL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT PROCUREMENT, MILITARY EQUIPMENT, ARMS CONTROL INSPECTION, COST ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ADDIS03304
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760102-0512
From: ADDIS ABABA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760349/aaaabqmk.tel
Line Count: 411
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2004 by MartinML>; APPROVED <02 NOV 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UPDATE OF PROJECTED EPMG MILITARY PROCUREMENT AND ITS ECONOMIC IMPACT
TAGS: ECON, EAID, EFIN, MASS, MPOL, ET, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006